Ground Rules

July 2026

FTSE ETF Connect HK-US Semiconductor Index

v1.0

FTSE RUSSELL
An LSEG Business

lseg.com/en/ftse-russell

Contents

Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE ETF Connect HK-US Semiconductor Index calculated by FTSE Russell.

1.2 The FTSE ETF Connect HK-US Semiconductor Index is designed to represent the performance of 30 securities classified in accordance with rule 5.2 as involved in semiconductor design and manufacturing, semiconductor equipment, memory chips, storage devices, and related electronic and communication components within the semiconductor industry.

1.3 These Ground Rules should be read in conjunction with the FTSE Southbound Stock Connect Index Series and FTSE Global Equity Index Series, which are available at www.lseg.com/en/ftse-russell/.

1.4 The FTSE ETF Connect HK-US Semiconductor Index does not take account of ESG factors in its index design.

1.5 Price, total and net-of-tax total return indices will be calculated on an end-of-day basis.

Net-of-tax Total Return Indices are calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

1.6 The index will be calculated in real time and published on an intra-second streaming basis.

1.7 The base currency for the index is Hong Kong Dollars. Index values may also be published in other currencies.

1.8 Index objective and intended use

1.8.1 The index and index statistics are intended to reflect the investment markets included in the index definitions and to facilitate the detailed analysis of such markets.

1.9 FTSE Russell

1.9.1 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.9.2 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or

- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.[1]

2.1.2 FTSE is responsible for the daily calculation, production and operation of FTSE ETF Connect HK-US Semiconductor Index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.1.3 Underlying companies are governed by their respective underlying index Ground Rules and associated committees.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

[1] FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the IOSCO Principles for Financial Benchmarks and Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the European Benchmark Regulation) and The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019 (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 FTSE Global Equity Index Guide to Calculation Methods

The aim of the guide is to describe how the indices are calculated, to facilitate users' replication of the index in order to support their investment and trading activities and to assist users in understanding the factors which influence the performance of the indices.

FTSE_Global_Equity_Index__Guide_to_Calc.pdf

3.2 Corporate Actions and Events Guide

3.2.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

Corporate_Actions_and_Events_Guide.pdf

3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Index Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

FTSE Russell's Statement of Principles can be accessed using the following link:

Statement_of_Principles.pdf

3.4 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

Benchmark_Determination_Complaints_Handling_Policy.pdf

3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

Index_Policy_for_Trading_Halts_and_Market_Closures.pdf

3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 Details of FTSE Russell's treatment can be accessed using the following link:

Index_Policy_in_the_Event_Clients_are_Unable_to_Trade_a_Market_or_a_Security.pdf

3.7 Recalculation Policy and Guidelines

3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index should be recalculated and/or associated data products reissued. Users of the FTSE ETF Connect HK-US Semiconductor Index will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

Recalculation_Policy_and_Guidelines_Equity_Indices.pdf

3.8 Policy for Benchmark Methodology Changes

3.8.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

Policy_for_Benchmark_Methodology_Changes.pdf

3.9 FTSE Russell Governance Framework

3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to ensure compliance with the IOSCO Principles for Financial Benchmarks[2], the European benchmark regulation[3] and the UK benchmark regulation[4]. The FTSE Russell Governance Framework can be accessed using the following link:

FTSE_Russell_Governance_Framework.pdf

3.10 Real Time Status Definitions

3.10.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

Real_Time_Status_Definitions.pdf

[2] IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.
[3] Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.
[4] The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

4. Eligible securities

4.1 The eligible securities of FTSE ETF Connect HK-US Semiconductor Index consist of:

Eligible securities	Index universe
US listed stocks	FTSE Global All Cap Index
Hong Kong listed stocks	FTSE Southbound Stock Connect All Cap Index

4.2 The following single securities are eligible for review for inclusion in FTSE ETF Connect HK-US Semiconductor Index.

ISIN	Security name
US8740391003	Taiwan Semiconductor Manufacturing ADR
USN070592100	ASML Holding ADR
US0420682058	Arm Holdings ADR

Section 5

Periodic reviews and weighting methodology

5. Periodic reviews and weighting methodology

5.1 Review dates

5.1.1 The FTSE ETF Connect HK-US Semiconductor Index is reviewed semi-annually in March and September, based on the security prices as at the close of the Wednesday before the first Friday of the review month (price cut-off date).

5.1.2 The review is implemented after the close of business on the third Friday (i.e. effective the following Monday) of the review month.

5.1.3 An additional rebalance of the index will be conducted at month-end of every March and September according to Rule 5.3.6. Changes will be effective from the open of the last business day of both Hong Kong and US market in the review month using the prices three business days before the effective date.

5.2 Constituents selection criteria

5.2.1 Business Activities and Keywords screening

Eligible securities are screened based on the TRBC Activity classification data and Business Description data as at the close of the Wednesday before the first Friday of the review month.

For Business Activities with no keyword requirements, securities classified under such business activities are eligible for inclusion. For Business Activities with keyword requirements, securities classified under such business activities are eligible for inclusion only if their business description includes at least one of the keywords listed in the below table.

TRBC activity code	TRBC activity name	Keywords
5710101010	Semiconductors (NEC)	integrated circuit, GPU, CPU, memory, foundry, radio frequency
5710101011	Integrated Circuits	foundry, soc
5710101012	Memory Chips (RAM)	DDR, DRAM
5710101014	Semiconductor Wholesale	
5710102010	Semiconductor Equipment & Testing (NEC)	integrated circuit, lithography, optoelectronics, photonics

TRBC activity code	TRBC activity name	Keywords
5710102011	Semiconductor Machinery Manufacturing	
5710102012	Semiconductor Testing Equipment & Service	integrated circuit
5710201010	Communications & Networking (NEC)	optical, optic
5710201017	Fiber Optic Cable Manufacturing	optical, optic
5710401014	Electronic Components	
5710601017	Storage Devices	NAND

5.2.1.1 The Reference data Business Classification

5.2.1.1.1 Constituents in the FTSE ETF Connect HK-US Semiconductor Index are classified into Economic sectors, Business sectors, Industry Groups, Industries and Activities as defined by The Reference data Business Classfification (TRBC).

5.2.1.1.2 Details of the TRBC Classification are available from FTSE Russell and can be accessed using the following link:

[TRBC Sector Classification]

5.2.1.2 The Reference data Business Description

Worldscope company descriptions ("Business Description") provide details of the primary commercial activities that a company undertakes. This description serves as an input for keyword, and is used in conjunction with TRBC Activity data when determining eligibility for index inclusion.

The keyword screening requirement applies only to new additions to the index. Existing constituents are exempt from this screening criterion.

5.2.2 Selection

5.2.2.1 The top 15 eligible securities fulfilled Rule 5.2.1 with the highest full market cap are selected from Hong Kong listed market and US listed markets respectively.

5.2.2.2 If there are fewer than 15 eligible securities from Hong Kong listed market, additional eligible stocks will be selected from US listed market to maintain a total of 30 constituents in the index at the time of the index review effective date.

5.2.2.3 The constituent selection is based on the stock prices available at the close of Wednesday before first Friday of the review month.

5.2.3 Reserve list

5.2.3.1 FTSE Russell will maintain a reserve list containing the ten highest ranking non-constituents of the FTSE ETF Connect HK-US Semiconductor Index following eachsemi-annual review. This Reserve List will be used in the event that one or more constituents is deleted from the FTSE ETF Connect HK-US Semiconductor during the period up to the semi-annual review of the index. Companies on the Reserve List will be constituents of the underlying universes (Rule 4).

5.2.3.2 Where a current constituent is deleted after the periodic changes to the index have been announced but before the periodic changes have been implemented, the highest ranking non constituent from the new Reserve List, excluding current index constituents, will replace the deleted security.

5.3 Weighting methodology

5.3.1 The constituents of FTSE ETF Connect HK-US Semiconductor Index are weighted by investable market capitalisation.

5.3.2 The weighting of the FTSE ETF Connect HK-US Semiconductor Index is allocated to following markets.

Market	Weighting
Hong Kong listed	65%
US listed	35%

5.3.3 The market allocation will be based on prices at close on the capping price date of the review month using shares in issue and investability weights as designated to take effect on the review effective date of the review month.

5.3.4 The capping price date is defined as follows;

- For the review conducted under section 5.1.1 and 5.1.2, the capping price date will be the second Friday of the review month.
- For the additional rebalance conducted under section 5.1.3, the capping price date will be the T-3 of last business day of the review month.

5.3.5 Constituent companies are capped at 10% on a semi-annually basis (March and September). Excess weight is distributed pro rata across all companies within markets with spare capacity. Following capping, the weight of each constituent in the index moves freely in line with price movements.

5.3.6 An additional rebalance of the index will be conducted at month-end of every March and September.

5.3.6.1 If on T-3 of last business day of the review month, the total weight of US listed constituents is less than or equal to 35%, the weight of Hong Kong listed constituents and US listed constituents will not be rebalanced to 65%/35%.

5.3.6.2 If on T-3 of last business day of the review month, the total weight of US listed constituents is greater than 35%, the weight of Hong Kong listed constituents and US listed constituents will be rebalanced according to rule 5.3.2 (65/35 rule) effective after the open of the last business day of the review month using the prices three days before effective date.

5.3.7 The calculation of the constituent capping factors will be based on prices at close on the capping price date of the review month using shares in issue and investability weights as designated to take effect on the review effective date of the review month.

5.3.8 The calculation will take into account any corporate actions/events that take effect after close on the capping price date of the review month up to and including the review effective date if they have been announced and confirmed by the capping price date of the review month.

5.3.9 Corporate actions/events announced after the capping price date of the review month that become effective up to and including the review effective date will not result in any further adjustment.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 Intra-review additions

6.1.1 The FTSE ETF Connect HK-US Semiconductor Index will not accept intra-review additions, subject to the treatment of spin-offs as detailed in Section 7. Additions to the index will be considered for inclusion at the next semi-annual review.

6.2 Intra-review deletions

6.2.1 A constituent will be removed from the FTSE ETF Connect HK-US Semiconductor Index if it is also removed from the underlying universes (Rule 4). The deletion from FTSE ETF Connect HK-US Semiconductor Index will be concurrent with its deletion from the underlying universes. The vacancy created will be filled by selecting the highest ranking securities by full market capitalisation from the Reserve List (see Rule 5.2.3) as at the close of the index calculation two days prior to the deletion.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices using the following link:

Corporate_Actions_and_Events_Guide.pdf

A Corporate ‘Action’ is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

– Capital Repayments

– Rights Issues/Entitlement Offers

– Stock Conversion

– Splits (sub-division)/Reverse splits (consolidation)

– Scrip issues (Capitalisation or Bonus Issue)

A Corporate ‘Event’ is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE Russell will provide notice advising of the timing of the change.

7.2 Takeovers, mergers and spin-offs

7.2.1 The treatment of takeovers, mergers and spin-offs can be found within the respective Corporate Actions and Events Guide for Market Cap Weighted Indices.

7.2.2 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in FTSE ETF Connect HK-US Semiconductor Index, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will be filled by selecting the highest-ranking security by full market capitalisation from the Reserve List as at the close of the index calculation two days prior to the deletion.

7.2.3 If a constituent company is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest-ranking non-constituent by full market capitalisation on the Reserve List. Any eligible company resulting from the takeover will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List as at the close of the index calculation two days prior to completion of the acquisition, based on the combined full market value of the company after the merger.

7.3 Suspension of dealing

7.3.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide for Market Cap Weighted Indices.

7.3.2 A suspended security deleted from the FTSE ETF Connect HK-US Semiconductor Index will be replaced with the highest-ranking security on the Reserve List using data at the close of the index calculation two days prior to the deletion.

7.4 Removal and replacement

7.4.1 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and replaced by the highest ranking security by full market capitalisation eligible on the Reserve List as at the close of the index calculation two days prior to the deletion.

7.4.2 The removal and replacement are effected simultaneously with the provision of a minimum two days' notice period.

Section 8

Treatment of dividends

8. Treatment of dividends

8.1 Declared dividends are used to calculate the Standard Total Return Index. All dividends are applied as at the ex-div date.

8.2 The net of tax Total Return Index also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

Withholding_Tax_Service

Please also refer to the FTSE Russell Withholding Tax Guide which can be accessed using the following link:

FTSE_Russell_Withholding_Tax_Guide.pdf

Section 9

Index calculation

9. Index calculation

9.1 Calculation frequency

9.1.1 FTSE ETF Connect HK-US Semiconductor Index use actual closing mid-market or last trade prices, where available, for securities with local bourse quotations.

9.2 Index calculation

9.2.1 FTSE ETF Connect HK-US Semiconductor Index will be calculated to an accuracy of eight decimal points.

9.2.2 FTSE ETF Connect HK-US Semiconductor Index are calculated using the following formula:

$$\sum_{i=1}^{N} \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- *i=1, 2, …, N*
- *N* is the number of securities in the FTSE ETF Connect HK-US Semiconductor Index .
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day).
- e_i is the exchange rate required to convert the security’s currency into the index’s base currency.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the eligible index.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index..
- *d* is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

Appendix A

Calculation schedule

Index	Open	Close
FTSE ETF Connect HK-US Semiconductor Index	09:30	05:10 (+1)*

**The "+1" represents for the next calendar day.*

All times are local Hong Kong Time.

The FTSE ETF Connect HK-US Semiconductor Index will be calculated on public holidays whenever at least one eligible exchange is trading. The indices will not be calculated on 1 January.

The official closing index value non-base currency will be calculated after receipt of the WMR FX Benchmarks Closing Spot Rates™ at 16:00 UK time.

Appendix B

Status of indices

The FTSE ETF Connect HK-US Semiconductor Index will be calculated in real time.

For further details of real-time definitions, please refer to the following guide:

Real_Time_Status_Definitions.pdf

Appendix C

Further information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

Glossary.pdf

Further information on the FTSE ETF Connect HK-US Semiconductor Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

FTSE RUSSELL
An LSEG Business